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SUBJECT: NORWAY LIMITS BARENTS DEVELOPMENT, FOR NOW

¶1. (SBU) SUMMARY. The Barents Sea is home to one of Europe's most productive fisheries and some of the most significant offshore oil and gas reserves in the Arctic. With the March 31 announcement of its new Integrated Management Plan for the Barents region, the Norwegian government has settled, at least for now, the ongoing debate over how (or even if) the region's energy resources will be developed. The plan, a compromise between pro- and anti-development factions within the government, will serve as the fundamental blueprint for Norway's High North development strategy. It places a four-year hold on new petroleum development activity within 50 kilometers from the Norwegian coast and in areas close to permanent sea ice. During this four year hiatus Norway will study the geology and ecology of the coastal region, then revisit the development versus protection debate in 2010. The limits on petroleum development were no surprise. Though U.S. oil firms strongly favor opening to exploration some environmentally-sensitive areas the plan puts off limits, they are resigned to the near certainty that the governing center-left coalition will bar oil activity there for the remainder of its term. The plan leaves it to the next government to make the hard choice on whether to open these potentially oil-rich waters, with their valuable fishing grounds and unspoiled scenery, to exploration. The plan now goes to the Norwegian Parliament, which will review and act upon the recommendations this summer. END SUMMARY

LIMITS ON COASTAL ENERGY EXPLORATION, LOFOTEN AND BEAR ISLAND

¶2. (U) Norway's new Integrated Management Plan for the Barents region limits energy development activities for the next four years in three areas: the Barents coast, the Lofoten peninsula, and Bear Island. Along the Barents Sea coast, petroleum activity is barred in a 35-kilometer offshore zone extending from the Russian border south to Bodo -- essentially covering one-third of the north Norwegian coast. The rationale for the 35 km zone is to allow 24 hours of drift time before any oil spill would hit the coast, giving authorities more time to respond. From 35 to 50 km from the coast, no new petroleum activities are allowed

except where concessions already have been granted. e.g. in the Goliat field (the second commercially-viable strike in the Barents after Snoehvit) and areas awarded in the 19th petroleum concession licensing round. The 19th round licenses were announced at the same time as the management plan, and three of them fall partially within the 50 km zone. (Note: Post will report septel on the 19th round. END NOTE.)

13. (U) The plan bars nearly all petroleum activity in the sensitive fisheries and aviaries around the Lofoten peninsula. In this area, no energy development is allowed in a zone extending 300 km from the coast between 67 to 69 degrees north, encompassing the Nordland VI, Nordland VII and Troms II development areas. Within Nordland VI, oil operations may continue in two blocks where licenses were previously awarded. Seismic activity will be allowed in this area as well, but no impact assessments will be conducted in the zone. In the Barents Sea, no energy development activity will be allowed in a 65 km zone around Bear Island or anywhere within 65 km of the edge of permanent sea ice.

EXPANDED RESEARCH AND ENVIRONMENTAL MONITORING

14. (SBU) The plan calls for stepped-up research on the geography and ecosystem in areas where petroleum activity is put on hold. The Norwegian Petroleum Directorate will undertake broader mapping of the seabed in the area around Lofoten and will map the continental shelf north of Tromso. Results from these studies will be fed into the next iteration of the plan (due in 2010), when development goals will likely be revised based on scientific and geologic findings (and a new government will be in power).

15. (U) The nature reserve around Bear Island will be extended to the 12 nautical mile territorial sea limit. To further protect the coastline from the potentially harmful effects of increased oil tanker and other sea traffic, Norway will seek International Maritime Organization (IMO) approval to establish defined sea lanes 30 nautical miles from the Norwegian coast. Since Norway and Russia share Barents Sea resources, Russia's cooperation will be required to ensure sustainable fisheries management and environmentally sound energy development. The Norwegians view the Management Plan as a starting point for their broader Barents 2020 Program, which seeks to forge closer cooperation with all countries (including Russia) that have interests in the Barents.

COMMENT: A COMPROMISE THAT THE RULING COALITION (AND OTHERS) CAN LIVE WITH

16. (SBU) The Management Plan represents a compromise between those in the ruling coalition who understand that Norway must develop new oil and gas reserves to ensure its medium-term economic health and those who oppose oil activity in the Arctic at all costs. In one sense, this is a false debate, as Norway's long years of producing petroleum offshore without a major environmental incident amply demonstrates that oil exploration and environmental protection are not mutually exclusive. The industry must keep environmental considerations uppermost in mind, however, as any incident that damages fisheries or despoils scenic areas vital to the tourism industry could set back efforts to develop Barents energy resources for years.

17. (SBU) By delivering the plan on time, the Stoltenberg government showed that it is able to balance the competing political agendas that exist within its coalition to produce a consensus document. Despite falling approval poll numbers and internal divisions, Stoltenberg demonstrated he has the political clout to force an agreement when it counts. Mindful of the economic stimulus energy development can bring, the pro-development Labor and Center parties can point to the plan to show remote northern communities that they care about creating jobs and spreading Norway's oil wealth. The anti-development and environmental forces in the Socialist Left Party can say they took a stand against

developing the most sensitive areas of the coast, and won. The petroleum companies essentially got what they expected -- continued access to good acreage in the Norwegian and Barents Seas, which will keep them occupied until they take another run at opening up the potentially oil-rich waters in the Lofoten area in 2010. Given the broad range of issues involved, no document could have pleased every constituency -- conservatives still say the plan places too many limits on development while the left says the restrictions are not strong enough -- but everyone can walk away with something. The plan will be reviewed in four years time and is sure to figure prominently in the 2010 elections.

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